UNIVERSITY OF SASKATCHEWAN

1999 ACADEMIC PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the University of Saskatchewan 1999 Academic Pension Plan as at December 31, 2007 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2007 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
April 30, 2008

Fred Wendel, CMA, CA
Provincial Auditor

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS
As at December 31

Statement 1

	2007	2006
Assets		
Investments (Note 3):		
Short term	$ 2,281,976	$ 5,217,612
Bonds	—	22,481,304
Equities	53,850,479	68,129,194
Pooled funds	99,885,503	74,625,552
	156,017,958	170,453,662
Receivables:		
Employee contributions	125,509	124,455
Employer contributions	125,509	124,455
Accrued investment income	109,470	405,665
	360,488	654,575
Cash	94,350	704,199
Total assets	156,472,796	171,812,436
Liabilities		
Accounts payable	70,625	169,860
Total liabilities	70,625	169,860
Net Assets Available for Benefits (Statement 2)	156,402,171	171,642,576
Accrued Pension Benefits (Statement 3)	134,540,000	144,187,000
Defined Contribution component (Note 1)	86,240	—
Surplus	$ 21,775,931	$ 27,455,576

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

Statement 2

	2007	2006
Increase in Assets		
Investment income:		
Interest	$ 476,585	$ 1,405,922
Dividends - equities	1,450,795	1,325,881
Distributions - pooled funds	4,996,349	3,262,706
	6,923,729	5,994,509
Current period change in fair values of investments	(8,139,351)	14,340,053
Contributions:		
Employee	1,574,948	1,510,556
Employer	1,574,948	1,510,556
	3,149,896	3,021,112
Total increase in assets	1,934,274	23,355,674
Decrease in Assets		
Plan expenses (Note 5)	571,706	500,544
Pension benefits paid	4,042,976	3,880,219
Refunds and transfers:		
Retirements	11,007,349	4,961,274
Terminations	---	1,725,753
Death benefits	1,552,648	265,756
	12,559,997	6,952,783
Total decrease in assets	17,174,679	11,333,546
Increase (decrease) in net assets	(15,240,405)	12,022,128
Net Assets Available for Benefits at beginning of year	171,642,576	159,620,448
Net Assets Available for Benefits at end of year (to Statement 1)	$ 156,402,171	$ 171,642,576

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
For The Year Ended December 31

Statement 3

	2007 (Note 6)	2006 (Note 6)
Accrued Pension Benefits, beginning of year	$ 144,187,000	$ 137,572,000
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	9,733,000	9,630,000
Benefits accrued with interest	3,734,000	3,537,000
Experience loss	---	3,285,000
Changes in assumptions	91,000	1,375,000
	13,558,000	17,827,000
Decrease in Accrued Pension Benefits:		
Benefits paid with interest	17,163,000	11,212,000
Experience gain	6,042,000	---
	23,205,000	11,212,000
Accrued Pension Benefits, end of year (to Statement 1)	$ 134,540,000	$ 144,187,000

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

1. Description of the Plan

The following description of the University of Saskatchewan 1999 Academic Pension Plan (Plan) is a summary only. For more complete information, reference should be made to the Plan Agreement.

a) General

The Plan was established as a defined benefit pension plan registered under *The Pension Benefits Act, 1992 (Saskatchewan)* and the *Income Tax Act (Canada)*. Effective June 1, 2007 a supplemental defined contribution component was added to the Plan. The Plan is closed to new members.

b) Administration

The Fringe Benefits Committee, composed equally of appointees of the Board of Governors and the Faculty Association, administers the plan. The Committee provides recommendations to the Board of Governors in matters of Plan amendments and also maintains liaison with all those concerned with the operations of the Plan, including the Board of Governors, the trustee, the investment advisors, the actuary and the members of the Plan.

c) Defined Benefit Component

i) Retirement Benefits

The normal retirement date of a member is the June 30th coincident with or next following the attainment of age 67. The annual amount of pension is determined as follows:

A past service pension of:

1) 2% of the member's best four years average pensionable salary multiplied by the member's service prior to July 1, 1965; less

2) the amount of pension payable under the terms of the prior plans.

Plus a current service pension of:

3) 2% of the member's best four years average pensionable salary multiplied by the member's service after July 1, 1965; less

4) .04% multiplied by the member's service after December 31, 2005 (to a maximum of 35 years) multiplied by the average Canada Pension Plan earnings ceiling in the year of retirement and the two previous years.

The above is a normal form of pension which provides for monthly payments for life with a minimum of 120 monthly payments being guaranteed.

Alternatively, a retiring member may elect the greater of the commuted value of the monthly retirement benefit or the total contributions together with accrued interest, and transfer this amount to a locked-in registered retirement savings vehicle or a prescribed registered retirement income fund, within the maximum tax shelter rules, with any excess being paid in cash.

ii) Disability Retirement Benefits

The annual amount of pension is determined by applying the regular retirement benefit formula. Article V, Section 2(b) of the Plan provides that during a period of disability the member will be deemed to have received earnings at the member's full normal rate of pay.

iii) Termination Benefits

Upon termination of employment a member may elect:

1) to receive a deferred retirement benefit; or

2) to transfer an amount equal to the greater of:

   a) employee contributions together with the University's contributions and interest; or

   b) the commuted value of the monthly retirement benefit

   to a locked-in RSP or deferred annuity, within the maximum tax shelter rules, with any excess being paid in cash.

iv) Death Benefits

The beneficiary of an employee who dies before retirement will be entitled to receive an amount equal to the greater of:

1) the sum of the member's and the University's accumulated contributions with interest; or

2) the commuted value of the monthly retirement benefit.

For an employee who is deceased after retirement, the surviving beneficiary will be entitled to receive the form of pension elected by the member at the member's retirement date.

v) Plan Improvements

Article XIX of the Plan makes provision for the use of any actuarial surplus to be applied firstly to the declaration of bonus pensions to existing pensioners, with any remaining surplus to be used to improve the benefits of members in the Plan if an adequate reserve for contingencies exists.

vi) Required Contributions

In accordance with the terms of the Pension Plan Agreement total contributions required are based on 13.64% regular earnings subject to a maximum of the median of the range for full professors, which is determined on an annual basis. Of this total contribution, the employee contribution is 50%.

vii) Funding Policy

The Pension Plan Agreement requires the University to contribute at least 50% of the total required contribution.

The most recent actuarial valuation for funding purposes disclosed an actuarial surplus. Upon the actuary's recommendation, the Board has decided the University's future service cost is to be maintained at the level set in the plan to the next valuation. The present rate of contribution is considered adequate to fund the future service benefits.

d) Defined Contribution Component

Subject to the *Income Tax Act (Canada)* limits, the University, and active academic and senior administration members, are each required to contribute an additional 0.5% of pensionable earnings to the Plan's defined contribution component. Upon such members' termination, retirement or death, these contributions together with accumulated investment returns will be paid to the member.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members.

b) Investments

Short-term investments are recorded at cost which approximates market value.

Investments in bonds, debentures and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Investment transactions are recorded on the trade date. Interest income is accrued monthly and dividend income is recognized on the record date.

Units held in pooled funds are valued at the closing sales prices of the underlying securities as reported by the principal securities exchange on which the underlying securities are traded.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investments and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in market value of investments.

c) Recent Accounting Pronouncements

Effective January 1, 2008, the Plan will be required to adopt the Canadian Institute of Chartered Accountants (CICA) handbook sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Plan is exposed, and how the risks are managed by the Plan. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Plan does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as money market securities, bonds, Canadian and foreign equities and pooled funds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates. The Plan manages interest rate risk by investing in bonds and debentures with varying years to maturity.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service, Standard and Poor's, Moody's Investor Services and Fitch Ratings.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies results in a positive or negative effect on the fair value of investments. The Plan manages the foreign currency risk by limiting the Plan's holdings of foreign investments and by diversifying the investment portfolio by country.

d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Procedures.

Short-term Investments

In 2007, short-term investments were comprised of T-Bills and notes with effective interest rates ranging from 3.57% to 4.13%. In 2006, short-term investments took the form of a note with an effective interest rate of 3.30%. The term to maturity of short-term investments is 365 days or less. The Plan's investment policy states that investments must meet a minimum investment standard of "R1", as rated by a recognized credit rating service.

Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio. There is currently no active bond management portfolio.

Equities

The Plan's investment policy allows no one holding to represent more than 12% of the market value of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. The average dividend rate is 2.38% (2006 – 2.04%).

	Market Value	
	2007	2006
Canadian	$24,880,385	$32,077,145
Foreign	28,970,094	36,052,049
	$ 53,850,479	$ 68,129,194

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the manager. Investment in a pooled fund should not exceed 10% of the market value of the pooled fund. The Plan's pooled funds are comprised of the following:

	Market Value	
	2007	2006
BGI Universe Bond Index Fund	$65,318,999	$35,657,477
Jarislowsky Fraser Special Equity Fund	1,804,980	2,032,328
BGI Pension U.S. Equity Index Fund	17,627,045	19,703,577
Jarislowsky Fraser International Equity Fund	15,134,479	17,232,170
	$99,885,503	$74,625,552

Investment Performance

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term investment performance objectives set by the Plan. It is these long-term investment performance objectives that are used to assess the performance of the investment managers. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

As of December 31, 2007	1 year	4 year
Plan Return	-0.9%	7.6%
Plan Objective	0.1%	7.9%

The annual returns are before deducting investment expenses.

The Plan's objective for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the S&P/TSX Capped Composite Index, Standard & Poor's 500 U.S. Stock Index, Morgan Stanley Europe, Australia and Far East Index, DEX Universe Bond Index and 91-Day Canadian Treasury Bills.

4. Fair Value

Receivables and accounts payables are non-interest bearing and are due or payable within the next year. Due to their immediate or short-term maturity, the fair value of these financial instruments approximates carrying value.

Fair values of investments are disclosed in note 3.

The fair value of accrued pension benefits cannot be readily determined, however information about the estimated provision is provided in note 6.

5. Plan Expenses

	2007		2006
	Budget	Actual	Actual
Investment management fees	$314,200	$331,165	$310,534
Trustee fees	64,300	79,329	63,490
Administration fees	21,300	22,446	12,535
Actuarial and consulting services	117,000	138,766	113,985
Total	$516,800	$571,706	$500,544

6. Accrued Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of management.

An actuarial valuation of the Plan was performed by Aon Consulting Inc., a firm of consulting actuaries, as at December 31, 2007 and at December 31, 2006.

Significant long-term actuarial assumptions used in the valuation were:

	2007	2006
Interest rate	6.75%	6.75%
Inflation rate	3.0%	3.0%
Salary escalation rate	3.5%	3.5%
Mortality table	UP 94 projected to 2008	UP 94 projected to 2007

The actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changing certain assumptions from assumed rates of: interest 6.75%, inflation 3.0% and salary 3.5%.

Assumption	Change Made	Change in Accrued Liability	Percentage Change in Accrued Liability
Interest rate	Plus 1%	$(6,489,000)	(4.8%)
	Minus 1%	9,771,000	7.3%
Inflation	Plus 1%	(5,600,000)	(4.2%)
	Minus 1%	7,344,000	5.5%
Salary	Plus 1%	1,959,000	1.5%
	Minus 1%	(1,554,000)	(1.2%)

During the year, the mortality assumption was updated. This has resulted in an increase to the accrued pension benefits of $91,000.

The net experience during the year was attributable to several factors as outlined below:

	2007	2006
Interest on contribution balances greater than (less than) assumed	$ (4,756,000)	$ 4,733,000
Gain due to active members retiring	(1,177,000)	(1,676,000)
Salary increases greater (less) than expected	(621,000)	300,000
Pensioner mortality	130,000	(55,000)
Miscellaneous	382,000	(17,000)
Experience (gain) loss	$ (6,042,000)	$ 3,285,000

To protect the Plan against future adverse demographic or investment experience, the Pension Plan Agreement, under Article XIX 5, allows that any surplus which may arise from the operation of the Plan which is not required to meet the actuarial liabilities existing thereunder shall accumulate as a reserve for contingencies.

The University contributes to the Plan on behalf of its employees based on the advice of the Plan's actuary within minimum amounts specified in accordance with the plan and the collective bargaining agreement. The assets, including any potential surplus in the plan, are for the benefit of the members and their beneficiaries. There is no provision that allows the withdrawal of the surplus by the University.

7. Related Parties

The Plan is related to the University of Saskatchewan and other pension plans sponsored by the University of Saskatchewan.

The Plan pays for plan expenses, including certain administration fees and miscellaneous expenses, which the University of Saskatchewan incurs and charges the Plan. The administrative expenses charged by the University of Saskatchewan in 2007 were $22,446 (2006 - $12,535).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.